

Qualifying for unemployment

Why has the reciprocity rate dropped in recent years?

**Washington's
reciprocity rate
dropped from
45% in 2001 to
32% in 2006**

**ESD
contracted with
Dr. Vroman and Dr. Chase
to examine
decline**

**Higher % of
Washington's
unemployed
workers collect
benefits
historically**

Background

The *reciprocity rate* is the percentage of unemployed workers who collect benefits in a given week. In 2001, the average rate in the United States was 45 percent. Washington's rate was 49 percent and the state ranked 15th in the nation.

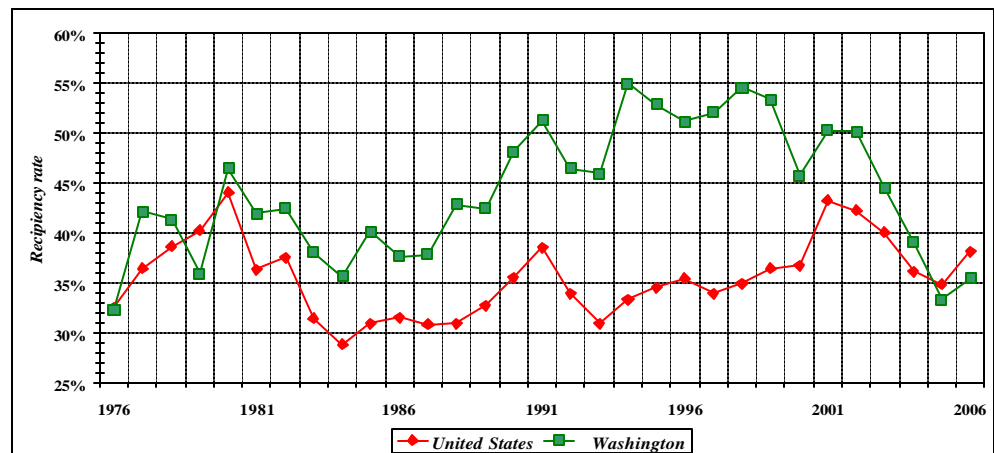
Since 2001, the reciprocity rate has declined in Washington State and across the nation. For the twelve-month period ending in September 2006, the average reciprocity rate for the United States was 36 percent¹, 33rd in the nation.

The unemployment-insurance system is designed to help both individuals and the economy. When people lose their jobs, unemployment benefits help them pay bills while they look for work. This, in turn, helps local economies through hard times because people still have an income and can spend money in their communities. When the reciprocity rate drops, people do not get the benefits they need and local economies suffer.

In late-2006, the department contracted with Dr. Wayne Vroman of *The Urban Institute* and with Dr. Robert Chase of *Chase Economics* to examine Washington's reciprocity rate. Following is a summary of their conclusions; the complete reports are available online at www.studies.go2ui.com.

Reciprocity rate in Washington

- In 2005 and 2006, Washington's reciprocity rate was lower than the national average for the first time in 25 years.

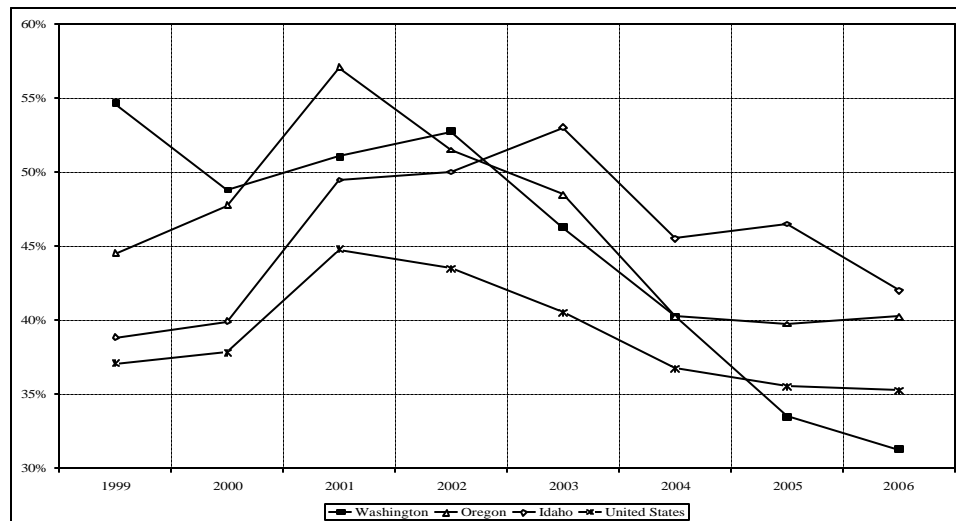


- The reciprocity rate fluctuates with the economy – it is higher during a recession and lower during the recovery period.
- Washington's rate declined more dramatically in 2005 and 2006 than other Northwest states and the nation.

¹ Source: U.S. Department of Labor (<http://ows.doleta.gov/unemploy/content/data.asp>).

Washington's rate dropped below NW states and the nation in last two years

Stricter rules and lower payouts may discourage people from applying



Declines in Washington in 2005 and 2006

Dr. Vroman and Dr. Chase agree that the reciprocity rate is highly related to the economy, but note that the decline in Washington's rate cannot be attributed to the economy alone. They cite recent changes in law and policy as a factor in the decline:

- Increased focus on making sure that people were able to work and actively seeking work while they collected benefits led to more denials and may have deterred some people from filing for benefits.
- People who voluntarily quit their jobs and those who were fired for misconduct were less likely to receive benefits under the new laws, so fewer people received benefits.

Dr. Vroman estimates that these two factors, which are “not part of some broader nationwide trend,” explain about 10 percent of the decline in reciprocity. He further estimates that five times more people were denied benefits for not meeting the stricter work-search laws than for voluntary quits.